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TAGS: [ETTC](#) [ECON](#) [ENRG](#) [EPET](#) [RS](#) [IR](#) [NO](#)  
SUBJECT: RUSSIAN ENERGY: LUKOIL UPDATE ON ANARAN  
PROJECT

REF: A. MOSCOW 124

[1](#)B. 06 STATE 201110  
[1](#)C. 06 STATE 179840

Sensitive but Unclassified; not for internet  
distribution.

[1](#)1. (SBU) On January 19, post received a status report from Lukoil on the Anaran project in Iran. The following is an unofficial Embassy translation of the original Russian text.

[1](#)2. (SBU) Begin text:

"The Anaran Project Status (as of 17 Jan 2007)

A service contract regarding exploration activities within the Anaran Bloc was signed back on April 9, 2000 by and between the National Iranian Oil Company (NIOC) and the Norwegian-incorporated Saga Petroleum Iran AS. The Subcontract Agreement between Hydro Zagros Oil and Limited [sic.] as the Contractor and LUKOIL Overseas Anaran Ltd. as the Subcontractor for the Anaran Bloc was signed on 02/14/2003, with the Agreement becoming effective on 09/26/2003.

The Parties' shares in the Agreement:  
Hydro Zagros Oil and Gas AS - 75%  
LUKOIL Overseas Anaran Ltd. - 25%

Operator:  
Hydro Zagros Oil and Gas AS is the operator of the project.

Obligations regarding the Bloc Exploration Contract:

The Minimum Work Program under the Contact is as follows:  
Processing of previous 2D seismic: 1,150km  
Gathering, processing, and interpretation of 2D seismic data: at least 780km  
Drilling of five wells, including 3 exploratory wells  
Minimum investment for the program: USD 46.79 million  
Program life: 4.5 years.

Conditions for LUKOIL Overseas to farm in:

LUKOIL Overseas Anaran Ltd. paid USD 12.9 million as 25% of the historic costs incurred during 2000-2002;

LUKOIL Overseas Anaran Ltd. paid USD 1 million as an

additional bonus for moving the project forward;

LUKOIL Overseas Anaran Ltd. would pay another USD 2.5 million to the Operator should a field development contract be signed with NIOC.

License bloc location:

Anaran Bloc area: 3,540 sq. km

The Bloc is located in the foothills of Zagros in western Iran, Ilam Province, near the border with Iraq.

Geological exploration results:

- Azar 1 well was abandoned for technical reasons. Insurance was paid in 2005.
- The tests of Azar 2 well were completed in August 2005. Commercial crude inflows obtained. The total production rate for 6 objects (4 in Lower Sarwak and 2 in Upper Sarwak) amounted to some 2,000 metric tons for day on various chokes.
- Shengule West 1 well was spudded on October 14, 2006, and it was completed in late October (bottom hole at 4,516m).

During the well tests, a maximum daily production rate of 978 cu. m was obtained in Shengule West 1 within the Upper Sarwak interval on a 96/64 choke at a buffer pressure of 28 bar; H<sub>2</sub>S content amounted to 2.5% while the crude density varied from 0.898 to 0.905 g/cm<sup>3</sup>.

Azar Filed commercialization report and MDP preparation:

1. The Declaration on the Azar Field Commercialization was signed by the NIOC on June 11, 2006, and became effective on August 1, 2006. At that time, NIOC approved

the STOIIP of 2.07 billion barrels of crude oil.

2. The Operator of the Anaran Project submitted a preliminary MDP to NIOC in mid-October 2006, which contained the following numbers:

- STOIIP: 2.07 billion barrels of crude (about 390 million metric tons of crude oil), crude density of 0.865 - 0.845 g/cm<sup>3</sup>. The recoverable reserves amount to over 300 million barrels.
- Number of development wells: 15
- Daily crude production: 58,000 barrels
- A 16-inch oil pipeline will be built intended to make a link to the existing infrastructure at the Akhwaz Field.
- The NIOC will determine the development pattern for the field at a later date. At the moment, several options are under consideration: crude production at free flow with subsequent reservoir pressure maintenance with gas injector wells.
- The oil recovery factor may vary dependent upon the selected field development pattern. If gas injection is selected, the RF is projected to reach 16%.

3. The final version of the MDP including the field facility construction plan should be finalized by April 1, 2007. The total budget needed to prepare the MDP is expected to be over USD 40 million.

The budget of the Anaran Project on a yearly basis (in USD, millions):

Years	Actual budget/LOHL share
2000-2002	51.6/12.9
2003	59.67/14.9
2004	39.65/9.91
2005	57.80/14.45
2006	41.1/10.25
Total for the	249.1/62.25
Project excluding	
Well tests and MDP	
costs	

The current status of the Project:

All Project activities have been halted. The only thing the Project Operator is doing at the moment is working on the MDP. Most of this work is being done outside Iran. The NIOC granted another one-year extension of the term of the Agreement with no amendments to the Budget. Due to the unavailability of a complete set of logs in Shengule West 1 well, it is very likely that NIOC may not acknowledge the second find at the Shengule bloc. (It is not possible to do logging within Sarwak as the far end of the drilling string was left behind at the bottom hole).

End text.

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